

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By Chairman Bob DePratu, on January 4, 1999 at 4:30 p.m., in Room 108.

ROLL CALL

Members Present:

Sen. Bob DePratu, SD 40, Chairman (R)
Rep. Karl Ohs, HD 33, Vice Chairman (R)
Sen. Jon Tester, SD 45, (D)
Sen. Lorents Grosfield, SD 13, (R)
Rep. Bruce Simon, HD 18, (R)
Rep. Emily Swanson, HD 30 (D)
Sen. Mike Taylor, SD 37 (R)
Rep. Doug Mood, HD 58, (R)
Rep. Carly Tuss, HD 46, (D)
Sen. Mignon Waterman, SD 26, (D)

Staff Present: Gordon Higgins, Legislative Services Division
Deb Thompson, Committee Secretary

Minutes are condensed and Paraphrased. Cross referencing can be done through tape notations.

Committee Meeting Dates: Tuesday, January 5, 4:00 p.m. Rm 325

MEETING ON JOBS AND INCOME PROPOSALS

LC 1218

Gordon Higgins discussed the department allocation for economic development from the foreign depository. **EXHIBIT(joh01a01)** He explained the changes which would switch the figures around so 25% of the revenue generated would be deposited in the general fund and the remaining 75% would be deposited into the special revenue account. This allows that money to be appropriated by the Legislature for particular projects.

Sen. Grosfield asked about the \$250 thousand dollar cap. Higgins replied the cap was not in the bill. The fee was not used for regulatory purposes, which were administrative purposes. Sen. Grosfield asked for clarification - if there were several depositories wouldn't that 25% increase. Higgins said they would but the cost of regulating was set by the needs of the department, which was \$400 a day set in statute presently that pays for auditors and related costs.

{Tape : 1; Side : A; Approx. Time Counter : 3.9}

Sen. Waterman asked whether the 75%, that went to the special revenue account used for economic development, could be used for other purposes. Higgins said an exact statutory appropriation could be provided. Rep. Simon pointed out the spending authority had not been established. The money could be reverted to the general fund.

Sen. Grosfield said he was unclear how big the cap could get. Blouke replied that depending on the size of the foreign capital depository, the revenue coming in based on the 1.5 percent, 75% of the 1.5 percent fee would go into a special account capped at \$8 million for economic development with the balance going into the general fund. He pointed out there was \$3.5 trillion dollars in offshore money and it depended on how much of that Montana could attract. The department cannot access that account without the prior authorization from the Legislature.

Rep. Simon pointed out if a foreign depository never materialized, the spending authority could not be accessed since the money would not be in the account. The general fund money

from this source is speculation; if it occurs it would be an enhancement.

Sen. Waterman asked for clarification. Before this bill, 100% went to the general fund. Now 25% would go to the general fund and 75% goes to a fund that may be used for economic development. This essentially created two accounts and one may be used for economic development. Currently, 100% that goes to the general fund might be used for economic development the way it stands. She was not sure what the bill accomplished. Rep. Simon pointed out if the money does come in, there may be some projects that could be authorized.

Rep. Simon **MOVED** LC 1218 to go forward for a committee hearing.

Sen. Grosfield said he was nervous about the cap. There could be a lot of money. Rep. Tuss pointed out there were no deposits yet and if there were never a deposit would this still be in statute. Higgins clarified this would sunset in 2012.

{Tape : 1; Side : A; Approx. Time Counter : 16}

The question was called. The motion **PASSED** with one no vote by Sen. Grosfield.

LC 1240

Higgins said the bill combined 1240 and 1241 for the review process and the Commission on Jobs and Income ultimately screens and approves projects on an annual basis. This bill addresses the issue of yearly project approval. **EXHIBIT(joh01a02)**

{Tape : 1; Side : A; Approx. Time Counter : 20.7}

Sen. Waterman asked if the finance committee would be reviewing the projects. Higgins replied they did not have the authority to choose the projects. Sen. Waterman pointed out this added an extra layer and more time. Sen. Taylor noted the reason for the bill was to provide for annual appropriations, not to involve the finance committee in the projects. Sen. Waterman said it was her understanding that the commission would handle this but if the bill did not survive the process there needed to be a back up.

Sen. Taylor requested an amendment to take that layer out so the commission has the final say. However, if the commission does not survive, a mechanism needs to be in place to proceed with annual distributions of the Treasure State Endowment Program.

Higgins said he could eliminate the Legislative Finance Committee in the bill.

Rep. Simon stated the intent was to have the commission make those approvals. He did not like the extra layers and thought it was unnecessary. If the commission bill fails, this bill would be void. He suggested the bill be cleaned up so it confers the authority to the commission.

Sen. Tester asked what mechanism was in place to allow the Commission on Jobs and Income to authorize project funding. Blouke replied that grants were approved routinely. The Legislature authorizes an amount of funding for the Treasure State Endowment Program. The review of proposals and grant approval is done by the commission. The appropriation had already been approved by the Legislature.

The question was called on Sen. Taylor's motion to clean up the bill. The motion **PASSED** unanimously.

Sen. Waterman **MOVED** to report the bill out of committee as amended. The question was called. The motion **PASSED UNANIMOUSLY**.

LC 1220

Higgins said this was the joint resolution that urged the Board of Investments to increase the amount of Coal Tax Trust Fund invested in Montana enterprises. **EXHIBIT(joh01a03)**

Rep. Swanson asked for clarification of the 25%. Blouke said they could authorize up to 25%. Rep. Swanson asked if this would accomplish anything. Chairman DePratu clarified that now the board only invests between 5-6% in Montana enterprises and this bill would direct them to do anything under the reasonable, prudent conditions to invest in Montana up to the statute limits. Rep. Swanson asked what evidence there was that they were not doing that now. Sen. Taylor replied that some of the banks that had approved loans in Montana had gone to the Board of Investments and not been able to get those loans.

{Tape : 1; Side : A; Approx. Time Counter : 36.3}

Blouke discussed the exhaustive review that was done of investments made by the Board in Montana companies. He noted these investments were "gold plated" investments. A survey of all the Montana banks in the state was done. However, based on

the result of the survey, it was very clear from the banks that they felt that the Board of Investments does not participate actively and aggressively in helping to establish new or expanding businesses. The policy in the past was they would not invest in any new business at all.

Sen. Taylor pointed out the Board of Investments invest in other states like Vermont or New York and they should be investing in Montana. Rep. Swanson noted the Prudent Man Law made the board the fiduciary party in charge of the public money which was a good policy. Sen. Taylor agreed but this was not venture capital. Rep. Simon pointed out the board is looking out for the best interests of the state and trying to maximize return. A Montana investment may not be quite as high of return as one outside the state so there is a competing problem. Passing this resolution would encourage the board to give preference to Montana and still stay within the Prudent Man Rule.

Sen. Waterman requested a representative from the Board of Investments to attend the hearing on the bill and answer questions that have been raised. The board needs to at least understand the debate and the Legislature needs to

understand what the valid reasons are for not doing this. She stated, the board needs to hear from the banking community that the banking community feels they are being too cautious.

{Tape : 1; Side : A; Approx. Time Counter : 43.3}

Sen. Waterman **MOVED** to pass the bill. The question was called. The motion **PASSED** UNANIMOUSLY.

LC 1224

Higgins noted the bill reflects the addition of LC 1225.

EXHIBIT (joh01a04) He discussed the changes and additions in the bill. The program specialists duties had not been spelled out. He felt the bill needed more work.

The committee discussed the changes in the bill. Sen. Waterman stressed the importance of having Montana members on the Commission. Rep. Simon noted that on items "b" through "l" could fit the description of someone that moved in to the state. He agreed with the importance of members who had owned a business in Montana and dealt with Montana regulations.

{Tape : 1; Side : A; Approx. Time Counter : 53.4}

Sen. Tester said it was important that a livestock and agriculture member be from Montana. Rep. Ohs said he could not imagine anyone being appointed who was not from Montana. Sen. Waterman asked how it was determined which group made the recommendations. She asked if it should be a list of names provided by "any" of the groups. Higgins clarified this reference was generic.

{Tape : 1; Side : A; Approx. Time Counter : 56.9}

Sen. Grosfield asked for a definition of livable wage jobs under Section 10, Commission responsibilities. Blouke replied the bill laid out incentives that were only eligible to businesses who would provide jobs at or above the average wage which is \$10.35 hour.

Blouke discussed the complicated issue of livable wage. When you look at incentives, for example to the agriculture side, it is difficult to make the same absolute statement in terms of hourly wages. Sen. Taylor pointed out the difficulty in applying the same standard wage to other industries.

Rep. Simon suggested adding definitions that addressed benchmarks. Sen. Waterman said the commission should be asked to come up with measurable goals. Rep. Ohs noted the commission would set their own goals and strategic plan.

Sen. Waterman **MOVED** to delete "established in" in "b" and "c" on page 20, section 19. She explained this would give flexibility to the commission so they could establish the local leadership program. The question was called. The motion **PASSED UNANIMOUSLY.**

Sen. Taylor suggested a list of changes that asserted more flexibility in the bill. Sen. Taylor **MOVED** to add "recruit new businesses". Rep. Simon said the business recruitment was not being done presently by the department but it should say so. The question was called. The motion **PASSED UNANIMOUSLY.**

Sen. Taylor **MOVED** to instruct the executive director to lay out the responsibilities of the program specialists. The question was called. The motion **PASSED UNANIMOUSLY.**

Sen. Taylor recommended taking out the word "administer". Sen. Waterman said someone has to administer the plan. Sen. Taylor agreed but did not want administrators, since the Departments had that function. The word "administrate" can be taken too literally and create more paperwork. Sen. Waterman suggested the plan have someone "oversee" the plan.

{Tape : 1; Side : B; Approx. Time Counter : 17.3}

Sen. Taylor **MOVED** to change "administer" to "oversee" and strike "create" in Section 11. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor **MOVED** to change #3, to receive, analyze and disseminate semi-annual reports from state agencies conducting economic development activities - this should be changed to "review" rather than receive, analyze and disseminate. They should be required to recommend to the Legislature programs that should continue or not and report their effectiveness. He explained this was a benchmark that he wanted to see. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor **MOVED** that "e" duplicate "d" on page 9, as previously passed to say "oversee". The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Swanson pointed out the need for the commission to review all the entities which should include their own activities as well.

Rep. Ohs **MOVED** to change page 10, "iii" that lists the benchmarks and all the commission needs to look at, the number "3. a" state agencies and make "iii" a "4" to make it flow. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor asked about the benchmarks on page 10. He was nervous about increasing the irrigated acres in the state. He wanted to strike that benchmark. He was not saying we shouldn't increase the irrigated acres, it was something that should be done. Rep. Ohs reminded the committee that the 2005 Task Force had identified this as a major focus. Sen. Waterman said, as she read this, the commission would assess whether or not the policy did increase the number of irrigated acres. They may decide, based on further study, it was or was not appropriate to increase. They do not "have to" do any of these things, but as they study and assess they can decide there is a reasonable reason. Sen. Tester suggested "increase the efficiency of irrigated acres". Sen. Grosfield asked what the problem was with increasing irrigated acres. Sen. Tester replied \$12.3 million dollars was the problem. Irrigation projects have gone out of business because efficiency was not there.

{Tape : 1; Side : B; Approx. Time Counter : 29.2}

Rep. Simon replied that did not mean there was a \$12.3 million dollar commitment to go after one half million acres. He suggested a more practical application where someone could put in some sprinkler irrigation where none had been before and increase

the number of acres under irrigation. The exact number and how to get there is open. One of the goals should be to try to increase the number of acres in Montana that are under irrigation but not say it was by a certain project as a benchmark. Diversifying projects, if it were economical, may pay off. Irrigation gives to agriculture the possibility of changing to different crops which can then give them a higher yield per acre. You can't do any of these projects unless they cash flow and they are economically sound.

Rep. Ohs agreed with Rep. Simon. He commented that the 2005 Task Force felt this was important. He suggested leaving this in the bill as support to all those who worked so hard on the issue.

Sen. Tester was concerned that this would add another subsidized crop. Sen. Taylor said he agreed with an increase of irrigated acres. He suggested adding the word "efficiency" to the irrigation project. Sen. Grosfield suggested that concept be put in the appropriations bill. Sen. Taylor said he would agree with Rep. Ohs. Rep. Ohs said he thought it was important enough to leave it in there.

Sen. Taylor pointed out section 10, "h" almost sounded like a welfare program. He **MOVED** to change it to read "work to support small businesses in Montana". Rep. Ohs suggested just to increase the number of small businesses. Sen. Waterman said the committee was forgetting that this was assistance to small businesses through the number of programs available.

{Tape : 1; Side : B; Approx. Time Counter : 37.5}

Assistance is what the proposal talked about. This was to help small businesses do a better job. Rep. Swanson suggested "technical assistance". The committee agreed that would help. Sen. Taylor reiterated "work to support small businesses with technical expertise". Rep. Tuss suggested just changing the placement of the word "annually" would help since this would assist businesses expand yearly.

Rep. Simon pointed out his goal would be to decrease the number of small businesses that need state assistance, give them some assistance to be successful, get them off the state assistance so they can operate on their own. It is not necessary to continually offer assistance to small businesses. It is start up businesses that need the assistance. After a period of time they are able to stand on their own. They do not need to be consistently tied to state government to be successful.

Rep. Swanson made a **SUBSTITUTE MOTION** to increase the number of start up businesses that receive state technical assistance.

This would take out "on-going", "annually" and "small". The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor suggested on page 10 (iv) "comparative assessment" should be "compare and measure" economic development. Higgins pointed out it was the intention of the committee to bring these items back under subsection 3 on page 9. Sen. Taylor said he still wanted to change this to compare and measure. Rep. Swanson asked what was being measured. Rep. Ohs felt this should be left alone.

Sen. Taylor **MOVED** to change page 11 (6) to read "may investigate". The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Simon noted that (6) was a constitutional right. Under the constitution public documents can be accessed by the public. Rep. Mood pointed out the word "may" was not permitting or giving them the right to investigate but rather restrictive so they are not required to investigate.

Sen. Waterman pointed out they do have that right. She made a **SUBSTITUTE MOTION** to delete (6). If they want to look at the records they can. Sen. Taylor said he was nervous about deleting (6) unless it is said somewhere else that we direct this agency. They are to review economic programs and report to the Legislature whether the programs should be continued or added on to. If you delete (6) would that emphasis be taken out? Sen. Waterman said no, they still have to do the reports and the investigating. They have this authority constitutionally anyway. The question was called. The motion **FAILED** 3-7.

Higgins pointed out it was simple to add in (6) "the committee may investigate" and put a period after "establish environmental standards in (5)". Sen. Taylor **MOVED** to accept the recommendation. The question was called. The motion **PASSED UNANIMOUSLY**.

{Tape : 1; Side : B; Approx. Time Counter : 46.5}

Sen. Taylor **MOVED** on page 11 (7) change "establish three separate committees" to "establish two separate committees" with research and commercialization as one with business recruitment and agriculture as two. Sen. Waterman noted this would reduce FTE. Rep. Ohs believed this to be a good idea. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor **MOVED** on page 12 (b) should read "recommend a stable and predictable source of funding" rather than "provide". He noted they would have to recommend funding sources that would have to be voted on. Rep. Swanson pointed out the idea was the Commission would be able to seek private funding also. The purpose was to have this Commission be the ones who oversee this money and justify the ongoing nature of the funding for research and commercialization. The word recommend may not do that. Sen. Grosfield agreed that the word "provide" was the wrong word. The Legislature may fund research and commercialization beginning immediately. It does not make sense to ask the Commission to come up with a stable and predictable source of funding if the Legislature was doing this.

Rep. Mood moved a **SUBSTITUTE MOTION** an alternative to "work with the Governor's Office and the Legislature to identify" a stable and predictable source, etc. The Commission is the best vehicle to identify those sources of funding and make recommendations.

{Tape : 1; Side : B; Approx. Time Counter : 55.6}

Sen. Waterman pointed out the task forces wrestled with this issue. She noted there may be ways such as with the equity interest in research or other things other than the Legislature funding this. This Commission may come up with other ways of getting on-going funding so this motion would address that.

Rep. Simon asked if the words "additional" would identify additional sources. The Legislature identifies one. This would allow a return on investment in the area of licensing agreements which could develop an additional funding source beyond what the Legislature could provide. Rep. Mood said "additional sources of funding" was included in "stable and predictable". The question was called. The motion **PASSED UNANIMOUSLY**.

Two Program Directors

Chairman DePratu directed the committee to address Rep. Simon's comments on section 8 regarding the program directors on page 7. Rep. Swanson noted agriculture was getting brushed out of the picture. Rep. Ohs agreed. The title and job description needed to change by folding in the agricultural aspect. He stated, the problem was having too many FTE's. These people will be just getting their feet on the ground and to involve eight FTE in the beginning was too much.

Sen. Grosfield pointed out his concern about singling out the agriculture perspective. Wood and minerals were a significant part of the economy and should be identified as an important

contributor to the jobs and income issue. He suggested the commission be oriented to basic industries to include agriculture.

Rep. Ohs **MOVED** that section 13 be called "Business Development" rather than Business recruitment and expansion" and fold in the agriculture into that section. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor **MOVED** in section 12 change "but may provide" to "and provide". The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Grosfield **MOVED** to change on page 12, the "state's basic industries" to the "state's traditional industries". The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Simon **MOVED** to change section 8 (2) "recommend 3 program specialists" to "recommend 2 program specialists". Agriculture would be included with business development and research and development. The question was called. The motion **PASSED UNANIMOUSLY**.

Sen. Taylor **MOVED** to strike (c) on page 15. He explained if this language to "direct the department of commerce", it would require more funding for FTE by that statement. Blouke noted the proposal contained funding and FTE to do the task. The committee had moved both the function and the funds to the commission. The question was called. The motion **PASSED UNANIMOUSLY**.

Rep. Ohs **MOVED** that section 15 (a), (b) and (c) be folded together into the business development section. The question was called. The motion **PASSED UNANIMOUSLY**.

ADJOURNMENT

Adjournment: 7:00 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/dt

EXHIBIT (joh01aad)